

Application of Western Massachusetts
Electric Company for Approval of the
2001 Amendatory Agreement

D.T.E. 01-99

My name is John B. Keane. I am the Vice-President for Administration for Northeast Utilities (“NU”). My work address is 107 Selden Street, Berlin, Connecticut 06037. As part of my official duties I oversee, along with others, Western Massachusetts Electric Company (“WMECO”), an electric utility operating company in the NU system.

With respect to the D.T.E. 01-99 proceeding, I am the NU official that signed the 2001 Amendatory Agreement with Vermont Yankee Nuclear Power Corporation ("VYNPC") on behalf of WMECO (Exh. WMECO-1, exh. RAS-4). The Department of Telecommunications and Energy ("Department") approved that agreement in its order issued on June 4, 2002.

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customers (see Exh. AG-RR-SUPP-1(a)). WMECO along with other entities with an interest in VYNPC agreed to the 50-50 treatment of excess nuclear decommissioning costs, if any.

In my opinion, it is highly doubtful whether there will be any excess nuclear decommissioning funds when Vermont Yankee is retired.¹ The buyer of Vermont Yankee, Entergy Nuclear Vermont, LLC (“Entergy”) has indicated it will seek a license extension for Vermont Yankee. If the license is extended, decommissioning may not be completed until many decades in the future. It is simply not possible to anticipate decommissioning costs with any degree of certainty that far into the future. Under certain sets of assumptions, however, it is theoretically possible that there could be excess nuclear decommissioning funds available from Vermont Yankee

Subsequent to the March 12, 2002 agreement on excess decommissioning and the Department’s June 4, 2002 Order, I became aware of orders by the Public Service Board of the state of Vermont (“VPSB”) that rejected the sharing of any excess nuclear decommissioning funds and mandated all such funds to be returned to customers. It is my understanding that the Entergy found the treatment mandated by Vermont Public Service Board unacceptable and threatened to refuse to consummate the sale of Vermont Yankee.

WMECO and the other entities with an interest in the sale of Vermont Yankee viewed the terms of the sale overall as very favorable to customers and therefore, after receiving the VPSB orders, discussions were initiated in an attempt

¹ In its order on the sale of Vermont Yankee to Entergy, the VPSB stated that “[w]e find that the likelihood of large excess decommissioning funds is remote” (Order, Docket No. 6545 (June 13, 2002), p. 7, n. 12).

to adjust the treatment of excess decommissioning funds to preserve the value of the deal within the changed regulatory environment.

As a result of these negotiations, the entities with an interest in Vermont Yankee arrived at a further agreement (the “Liquidation Agreements”) that in my opinion has, at a minimum, preserved any value of excess decommissioning funds for WMECO’s customers. A copy of the transmittal letter filed with the VPSB, along with copies of the Liquidation Agreements, are included as Attachment 1. In fact, I believe the Liquidation Agreements are more advantageous to WMECO’s customers than the 50-50 sharing arrangement referred to by the Department in its Order. The Liquidation Agreements are described in paragraph 9 of the accompanying Motion to Re-open the Record and Make an Additional Finding.

Under the Liquidation Agreements, WMECO would receive \$83,333 from the Vermont utilities with an interest in VYNPC and in return WMECO would assign its future interests in Vermont Yankee excess decommissioning funds, if any, to Entergy. This arrangement is highly advantageous to WMECO’s customers because the customers are guaranteed a sum for excess decommissioning when it is highly doubtful and speculative as to whether such excess decommissioning funds would be available at the time of decommissioning. In addition, WMECO’s customers will receive the payment now, rather than waiting for decades for any possible payment, which may never be received.

The amount of the payment to WMECO is based on an assumption that the amount of excess decommissioning funds for Vermont Yankee will be as much as \$100 million. As I have indicated, it is impossible to specify with any certainty the amount of excess decommissioning funds for Vermont Yankee, or whether there will be any excess at all. Nonetheless, for the purpose of this agreement, the entities

with an interest in VNYPC assumed excess decommissioning funds at the high end of a reasonably possible range. A \$1.5 million payment to the non-Vermont entities represents a present value payment in excess of a \$100 million for excess decommissioning. This results in an immediate payment of approximately \$83,333 to WMECO. The calculation of the amount is set forth in Attachment 2.

In sum, it is my opinion that the new arrangement under which WMECO will be paid \$83,333 preserves the value to customers of the agreement WMECO entered into with the Attorney General on March 12, 2002, and, in fact, is quite likely a far better deal for WMECO's customers.

I hereby swear, under penalty of perjury, that the foregoing is true and correct to the best of my knowledge and belief.

John B. Keane

Dated: July 25, 2002.